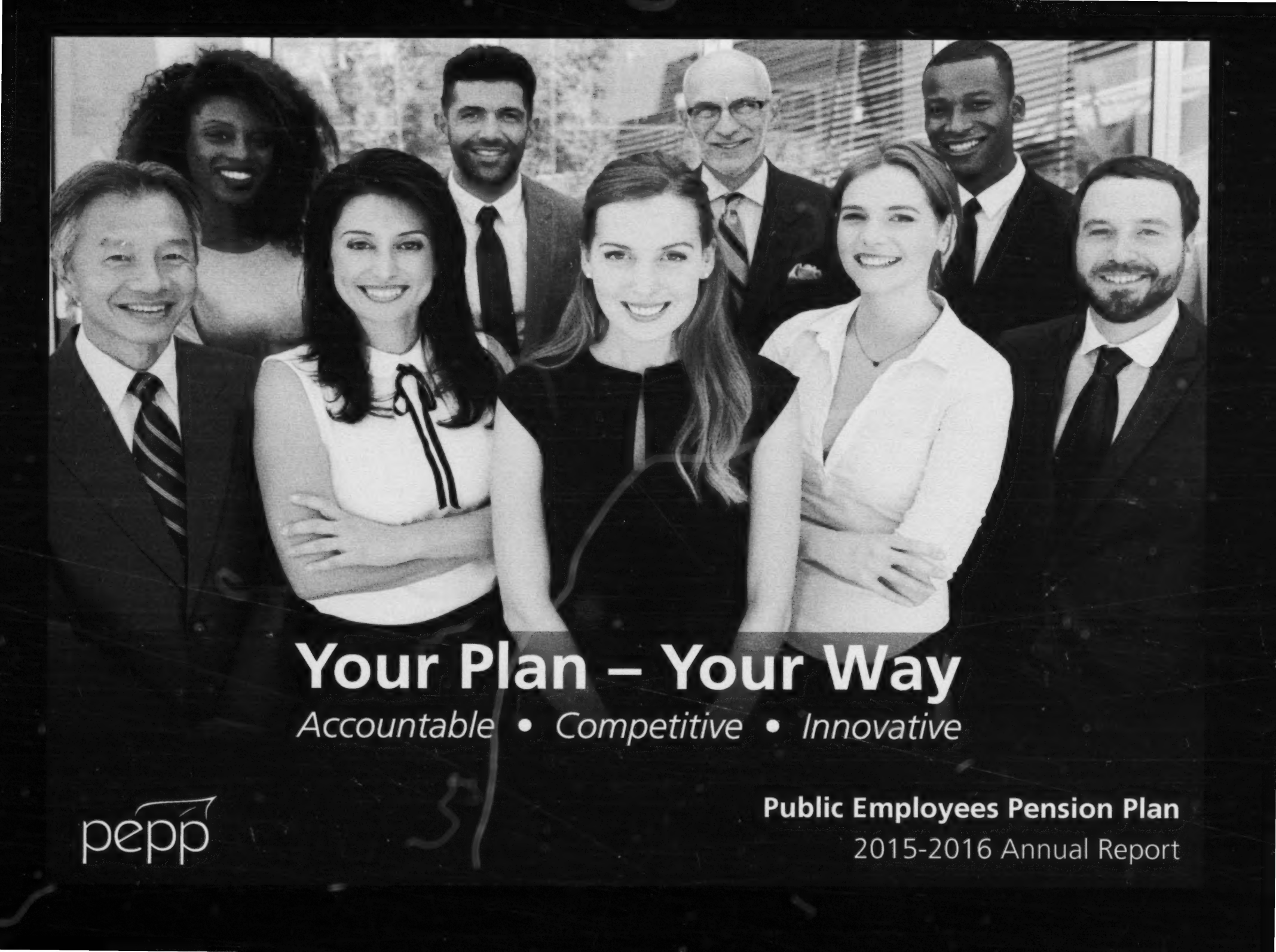

Your Plan – Your Way

Accountable • Competitive • Innovative

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Public Employees Pension Plan

2015-2016 Annual Report

pepp

PEPP Publications

PEPP Member Booklet

Pension Perspectives - newsletter for plan members

PEPP Talks - provide detail about specific Plan aspects

Investment Basics Booklet

PEPP Retirement Planning Worksheet

Fund Performance Bulletins

Investment Holdings Report

Annual Report

In-Review

PEPP publications and other information about PEPP, are available online at www.peba.gov.sk.ca

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Letters of Transmittal

Kevin Doherty
Minister of Finance

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Public Employees Pension Board for the fiscal year ending March 31, 2016.

Kevin Doherty
Minister of Finance

The Honourable Kevin Doherty
Minister of Finance

Sir:

On behalf of the Public Employees Pension Board, I have the honour of submitting the Annual Report of the Public Employees Pension Board for the fiscal year ending March 31, 2016.

Nola Joorisity
Chair

Nola Joorisity, Chair
FCPA, FCA, CMA, C. Dir.

I am honoured to note the accomplishments of Canada's largest defined contribution pension plan as it continues to thrive. PEPP initiated a variety of successful programs this year, highlighting our innovation in the pension industry.

On behalf of the members of the Public Employees Pension Board (the Board), I am pleased to present the 2015-2016 Annual Report of the Public Employees Pension Plan (PEPP). Details of the report highlight the Plan's activities for the 2015-2016 fiscal year.

In June 2015, new members were welcomed through a transition from the Capital Pension Plan to PEPP. Over 60 employers and about 9,000 members joined PEPP, bringing nearly $1.3 billion in total assets to the Plan. These new members have access to PEPP's wide array of investment choices and services, including PEPP *Access* and individual consultations with the Plan's Retirement Information Consultants. PEPP *Access* allows members to view and update information about their pension online, including changing their investment fund and using tools such as the Retire@Ease calculator.

As we welcomed new members, we also conducted a search for current ones–PEPP members, at times, do not keep their contact information up to date with PEPP's administrator, the Public Employees Benefits Agency (PEBA). In fact, many members have forgotten about their pension account. In November 2015, PEBA initiated a project to reunite missing members with their pension. As of March 31, 2016, 872 members were located and reunited with over $13 million in account funds. Lost members were thrilled to learn that they had pension funds and were thankful that we had reached out to them. Much work remains to be done as the Plan still has many lost members representing almost $37 million in assets. As members continue to contact us claiming their pensions, another search will be performed in 2016 for missing members.

The Enhanced Investment Choice (EIC) initiative was launched in October 2015, and now provides members with even more investment options when it comes to their pension. Members now have the choice to invest in three funds, including: one asset allocation fund and two specialty funds. Utilizing PEPP*Access*, members can log into their personal account and change their investment options online. This allows members to take their financial future into their own hands by giving them more options and flexibility.

Educating members through workshop presentations such as Kick Start Your Financial Future, Retire*With*Ease and Ready, Set, PEPP begins the important conversation regarding retirement and pension investments. Membership continues to grow and members are asking the difficult questions about how to reach their retirement goals. Using tools such as the Retire@Ease retirement calculator, helps members determine specified targets to make their money last longer. We look to build on these existing offerings in the coming year.

In 2016, our goal is to implement engagement services to members, including a social media platform, providing PEPP with more opportunities to engage with Plan members and employers. This is an example of the continued forward thinking and dedication of PEPP.

It is my privilege to chair the Public Employees Pension Board.

Nola Joorisity

2015-2016 Highlights

$8.4b Total Assets of t

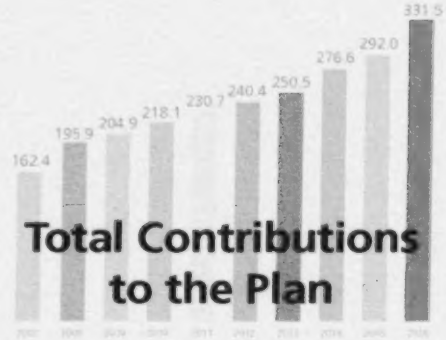
$19.1 million

Total Transfers-in to the Plan

$264.1 million

Total Transfers-out of the Plan

$331.5 million

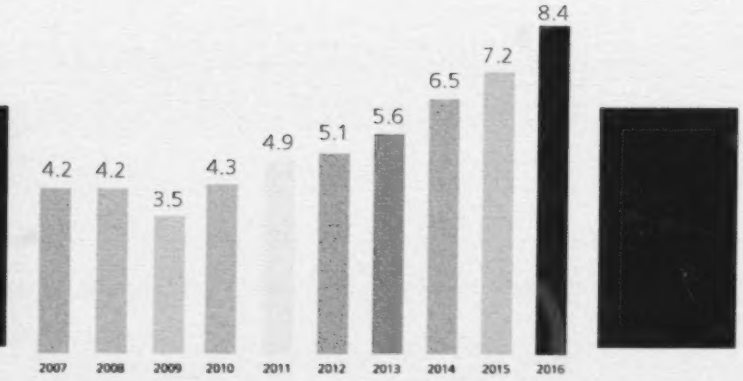


Total Contributions to the Plan

872 members were reunited with almost **$14 million** in member funds.

9,094 members and **$1.3 billion** in member funds were transferred from Capital Pension plan to PEPP.

he Plan



PEPP Fees and Rates of Return[1] (as at March 31, 2016)

	(%)				
Fund	Benchmark Rate of Return	Gross Rate of Return	Fees PEBA & Board[2]	Fees Investments[3]	Net Rate of Return
Accelerated Growth	(1.5)	(0.6)	0.09	0.62	(1.3)
Growth	(1.2)	(0.4)	0.09	0.57	(1.1)
Balanced	(0.9)	(0.3)	0.09	0.51	(0.9)
Moderate	(0.5)	(0.1)	0.09	0.43	(0.6)
Conservative	0.0	0.2	0.09	0.32	(0.2)
Bond	0.8	0.8	0.09	0.07	0.6
Money Market	0.5	0.9	0.09	0.04	0.8

Table 1.0

[1] The rate of return and fee data for the PEPP Steps Fund varies with each step.
[2] Of the 0.09% fees shown, the Board accounts for less than 0.01%.
[3] Investment fees include fees for investment managers, consulting and custody

Assets by Investment Option ($ millions) (as at March 31, 2016)

3,801.8	PEPP Steps Fund	299.5	Conservative Fund
3,075.3	Balanced Fund	274.7	Accelerated Growth Fund
320.5	Growth Fund	272.2	Money Market Fund
285.7	Moderate Fund	87.0	Bond Fund

Investment returns over the twelve month period ending March 31, 2016 were moderately negative as the market value of the PEPP Balanced Fund declined by less than one per cent. Growth assets returned low, single digit losses while income assets posted slightly positive gains. The aggregated equity benchmark fell four per cent, in Canadian dollar terms, with Canadian, emerging market, and US small caps leading declines, while the domestic bond market index advanced 0.8 per cent. PEPP's allocation to alternative investments moderated the degree of losses among growth assets, as market value gains on holdings were slightly positive. Active management among growth assets produced returns in excess of index performance while actively managed income-oriented allocations fell short of benchmark gains.

Plan Profile

PEPP was established and is governed by *The Public Employees Pension Plan Act*. It is registered as a pension plan pursuant to *The Pension Benefits Act, 1992* and the *Income Tax Act* (Canada).

The Public Employees Pension Plan (PEPP) has 140 participating employers and 63,677 members at March 31, 2016. Participating employers include the Government of Saskatchewan, Crown Corporations, agencies, boards and other public institutions and private companies.

PEPP is a defined contribution (DC) pension plan. A member's contributions and his or her employers' contributions, plus any return on investment, are used to provide a member with income based upon the account balance he or she has built at retirement.

Enrolment in the Plan is mandatory for employees who hold a permanent position with an employer participating in the Plan. Unless otherwise specified in an agreement, non-permanent employees may choose to join the Plan at any time.

Member and employer contributions are calculated as a percentage of the member's total gross regular earnings. Unless otherwise specified in an agreement, the contribution percentage is five per cent. Member contributions are made by payroll deduction.

Contributions to PEPP are tax deductible up to a maximum set by the *Income Tax Act* (Canada). Members do not pay taxes on contributions or the accumulated investment income until they withdraw an amount from the Plan.

Contributions are forwarded to the Plan and are used to purchase units in the PEPP investment option of the member's choice.

Units are valued daily following market close. Once a new unit value is declared, member accounts are valued using the new unit value. Return on investment is reflected in the changing unit value. The amount the member receives at payout or transfer is calculated using the unit value in effect at the date of payment.

Members may retire and begin to receive retirement income at age 50 or older.

Members may defer purchasing a retirement income option after retirement. The *Income Tax Act* (Canada) states that a pension must begin by the end of the calendar year a member turns age 71.

Membership Activity

Membership at March 31, 2015	**54,770**
Add:	
Enrolment during the year	3,668
Variable Pension Benefit (VPB) enrolment	716
Capital	7,798
Less:	
Exiting members	3,275
Membership at March 31, 2016	**63,677**

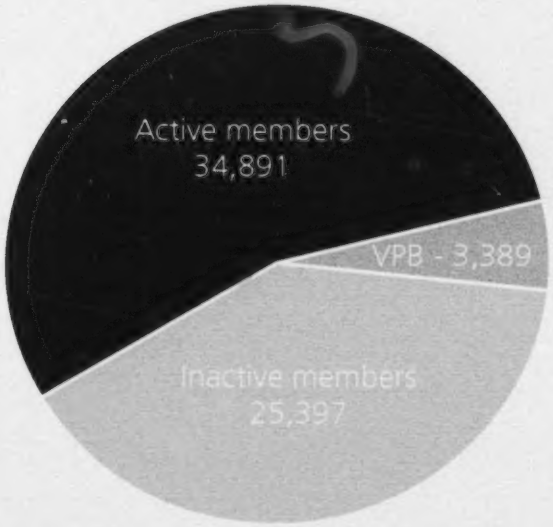
Table 1.1

63.7 thousand
Plan Members

44.3 years
Average Age
Active Members

14
Partici
Empl

Membership Distribution by Age Band as at March 31, 2016



40
pating
oyers

4.1 thousand
Online Inter-fund
Transfers Processed

27.9 thousand
PEPP Access
Registered Members

Vision

PEPP will consistently exceed the expectations of members and employers and will be a leader in the pension industry.

Mission

To provide an unequaled defined contribution retirement plan and best-in-class service to members and employers.

Goals

Investment: *Earn competitive long-term investment returns for members while managing risk.*

Service: *Deliver exceptional and innovative service to members and employers.*

Cost-Effectiveness: *Operate efficiently and cost-effectively.*

Stewardship: *Ensure PEPP is well-governed and accountable to Plan members and employers.*

Engagement: *Ensure members understand their responsibilities and have the right tools and information available.*

Public Employees Pension Board

The Board consists of nine members; four are appointed on behalf of participating employers, four on behalf of employees. The Board conducts a recruitment process to choose a Chair who is appointed for a three-year term.

Public Employees Pension Board Members at March 31, 2016

Name	Position	Appointing Body
Nola Joorisity	Chair	Public Employees Pension Board
Dennis Terry	Vice-Chair	SaskEnergy, SaskPower, SaskTel
Jon Bergen*	Member	Unifor
Sean Engemoen	Member	Saskatchewan Polytechnic Saskatchewan Liquor and Gaming Authority
Darren Henderson	Member	International Brotherhood of Electrical Workers Union Local 2067
Jacalyn Luterbach	Member	Canadian Union of Public Employees Local 600
Jocelyn Robinson	Member	Public Service Commission
Mac Trost**	Member	Saskatchewan Government and General Employees' Union
Cathy Uhersky	Member	Saskatchewan Crop Insurance Corporation, Workers' Compensation Board, Saskatchewan Cancer Foundation

Table 1.2

* Jon Bergen was appointed to the Board effective May 21, 2015 to replace Kathy Martin, whose appointment to the Board ended effective April 30, 2015.
** Mac Trost was appointed to the Board effective January 15, 2016 to replace Jack Duvall, whose appointment to the Board ended effective October 31, 2015.

Board Education

The Board has an education program in place for Board members. The purpose of the program is to ensure the Board members possess a sound knowledge and understanding of pension, investment, and governance related issues. Yearly, the Board allocates registration fees for each Board member. Expenses related to travel and accommodation are reimbursed at rates established by the Public Service Commission.

Upon appointment to the Board, new members receive an orientation provided by the Public Employees Benefits Agency's (PEBA's) Executive Management.

Board members are required to undertake a formal education program. The program provides a list of courses and seminars that deliver specific investment and governance-related information relevant to Board members.

- Within one year of appointment, members attend the Queen's Governance Program which is now facilitated by the Smith School of Business at Queen's University.
- Within one year of appointment, members complete a course on basic investment principles facilitated by PEBA.
- Within two years of appointment, members complete the Board Effectiveness Program for Pension and Other Long-Horizon Investment Institutions, presented by the International Centre for Pension Management at the Rotman School of Management, University of Toronto.

Board members who have completed the formal education program are also required to attend one educational event annually that is facilitated by an industry-recognized pension and benefits organization. A Board member who is actively pursuing the formal education program is exempt from the obligations found in the ongoing development for all members. However, all members are strongly encouraged to attend an education event.

Conferences and other events attended by Board members as part of their ongoing education provide the Board with information on the current governance, investment and legal environment affecting pension plans. They also provide opportunities for Board members to meet with pension experts and pension trustees from other pension plans to discuss common issues.

Table 1.3 lists the education events attended by Board members to March 31, 2016.

Seminars, Courses and Other Events Attended by Board Members in 2015–2016

Name	Education Events Attended	Total Expenses
Nola Joorisity Chairperson since 2013	• Chartered Director Program - Module 5 and Exam	$0[1]
Jocelyn Robinson Appointed 2012	• Foundations of Trust Management Standards	$1,800
Dennis Terry Appointed 2010	• CPBI Presentation	$40
Sean Engemoen Appointed 2007	• CPBI National Webinar	$53
	Total Expenditures	**$1,893**

[1] Completed as a member of another board of directors. No expenses were incurred by the Public Employees Pension Plan.

Table 1.3

Public Employees Pension Board

Board Members: (left to right)

Jacalyn Luterbach, Darren Henderson, Jon Bergen, Nola Joorisity, Dennis Terry, Mac Trost, Jocelyn Robinson, Sean Engemoen, Cathy Uhersky

Meeting Attendance

Members of the Board receive no compensation for the performance of their roles as Board members. They are remunerated for reasonable expenses for attending Board meetings and other functions in their capacity as Board members. Most notable are travel-related expenses, which are reimbursed at rates specified by the Public Service Commission. The Chair is remunerated with a retainer set by the Board.

The Board had nine regular meetings in the 2015-2016 fiscal year. Table 1.4 shows the number of meetings each Board member attended.

Name	Number of Meetings Attended	Expenses
Nola Joorisity	9	$247.25
Jon Bergen[1]	6	762.65
Sean Engemoen	9	920.32
Jack Duvall[2]	3	1,617.51
Darren Henderson	9	1,577.31
Jacalyn Luterbach	8	263.19
Kathy Martin[3]	1	519.92
Jocelyn Robinson	8	
Dennis Terry	8	
Mac Trost[4]	2	424.72
Cathy Uhersky	7	76.99
Total		$6,409.86

Table 1.4

[1] Jon Bergen was appointed to the Board effective May 21, 2015.
[2] Jack Duvall's appointment ended October 31, 2015.
[3] Kathy Martin's appointment ended May 1, 2015.
[4] Mac Trost was appointed to the Board effective January 15, 2016.

Chair Remuneration	Rate ($)	Total
Annual Retainer	$40,000.00	$40,000.00
Per Diem - Education		
Total		$40,000.00

Table 1.5

Investments
The Board continues to monitor the plan to ensure its investment options improve member outcomes.

Investment returns over the twelve month period ending March 31, 2016 were moderately negative as the market value of the PEPP Balanced Fund declined by less than one per cent. Growth assets returned low, single digit losses while income assets posted slightly positive gains. The aggregated equity benchmark fell four per cent, in Canadian dollar terms, with Canadian, emerging market, and US small caps leading declines, while the domestic bond market index advanced 0.8 per cent. PEPP's allocation to alternative investments moderated the degree of losses among growth assets, as market value gains on holdings were slightly positive, returning less than half of one per cent.

While equity returns were negative, unhedged Canadian investors in global markets benefitted from a positive currency translation effect as most major foreign currencies appreciated in value against the Canadian dollar which was a positive, partially offsetting source of return. However, to moderate the volatile impact of foreign currency market swings, PEPP implements a 50 per cent passive currency hedge programme to manage currency risk. With the hedge programme in place over the previous twelve month period, PEPP's asset allocation funds benefited from approximately half of the favourable currency translation effect.

Returns among the PEPP asset allocation funds were modestly negative with the more aggressive funds achieving lower returns than conservatively structured funds as equity exposures declined while fixed income investments generated small market gains. The Accelerated Growth Fund declined 1.3 per cent while the Conservative Fund fell 0.2 per cent.

From a relative return perspective, in aggregate, PEPP's actively managed portfolios largely matched benchmark returns on a net of fees basis, although relative performance varied between the PEPP funds driven by asset mix exposures. Active management among growth assets produced positive excess returns while actively managed income-oriented allocations underperformed benchmark experience. The Accelerated Growth Fund therefore outperformed its benchmark as its asset mix is heavily weighted in equities, an asset class where active management outperformed index returns. On the other hand, the Conservative Fund underperformed its benchmark as active fixed income mandates lagged the broader Canadian debt market. The Balanced Fund, which has a sizable allocation to both equities and debt, achieved returns on par with its benchmark.

Canadian equity mandates lead the relative outperformance among the growth asset group. The Canadian equity portfolio benefited from being defensively structured. Domestic indices trailed other developed markets amid depressed market conditions for the oil & gas sector and base metals.

The income portfolio's more defensive positioning, from an interest-rate risk perspective, contributed to the portfolio achieving below-benchmark returns over the period. Similarly, PEPP's allocation to the absolute return-oriented bond mandate weighed on relative performance as its strategies were not rewarded during the preceding market environment. PEPP's core bond portfolio had below-benchmark duration exposure (lower interest rate sensitivity) which detracted from returns as yields fell between the six-to-ten-year tenors of the yield curve, boosting market value returns among bond issues with corresponding maturities. The defensive rate posture of the core bond segment meant that the portfolio was less geared to declining yields. While this positioning detracted from past relative performance, in a future scenario where economic conditions improve in Canada and yields move upward, market value losses of such a defensive duration stance would be expected to be smaller than those observed in the index, all other things being equal.

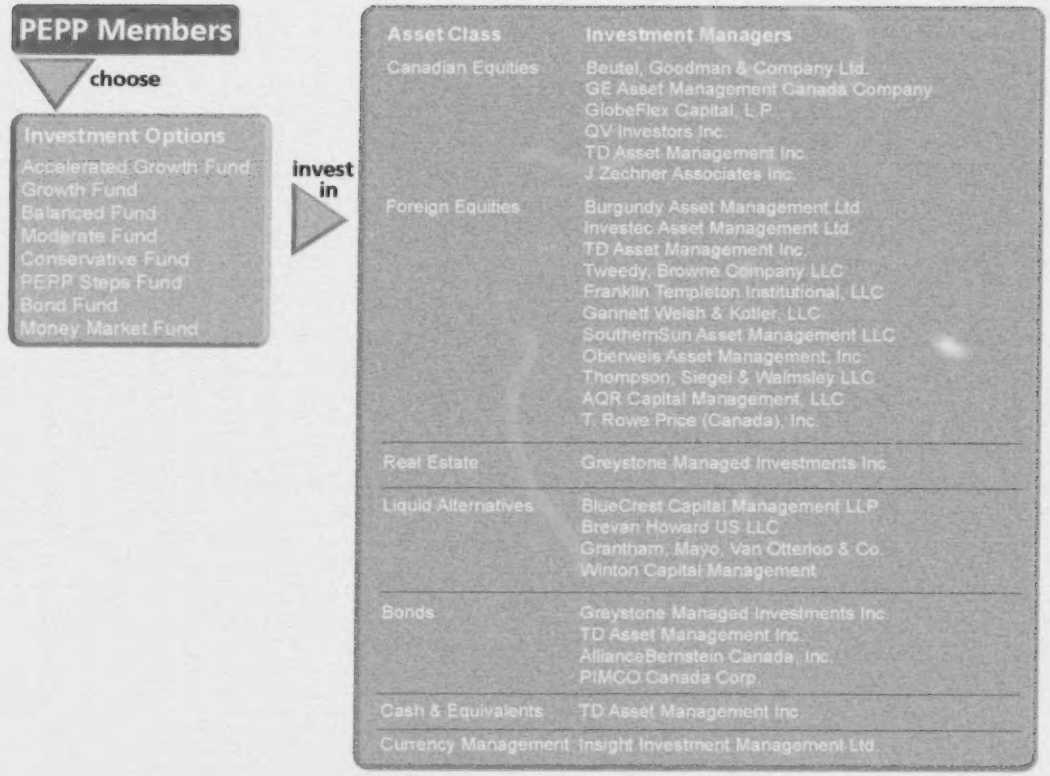
Overview

The Plan has eight investment options. These funds offer a mix of asset classes, which are made up of fixed income, real estate and equities.

The PEPP Fund Line-up:

- PEPP Steps Fund
- Bond Fund
- Conservative Fund
- Moderate Fund
- Balanced Fund
- Growth Fund
- Accelerated Growth Fund
- Money Market Fund

Members can invest in any one of the listed funds. The only funds eligible to be added as a secondary fund is the Money Market Fund and Bond Fund.



Asset allocation funds invest in a mix of asset classes, including equities (Canadian and foreign), real estate, liquid alternatives, fixed income, and cash equivalents. The mix depends on the fund; more conservative funds are weighted more heavily toward fixed-income investments where more aggressive funds are weighted more heavily toward equities. The Bond Fund is invested solely in fixed income investments and the Money Market Fund is invested solely in highly liquid short-term debt securities.

Equities offer the greatest potential return, but are exposed to a high level of market volatility, meaning that they are susceptible to losses over the short-term. As such, equities are best suited for long-term investors who are able to ride out short-term volatility in return for long-term growth potential.

Fixed-income investments, such as bonds and cash equivalents, are lower-volatility investments, meaning they are much better suited to capital preservation. For this reason, members with less tolerance for short-term volatility may prefer funds with a greater percentage of fixed income.

Members are encouraged to make an investment choice that fits their risk tolerance and investment profile. PEPP's eight investment options offer members a range from the Accelerated Growth Fund, an equity-heavy fund, to the Conservative Fund while also offering the Bond Fund (invested solely in fixed-income investments) and the Money Market Fund (invested solely in money market securities).

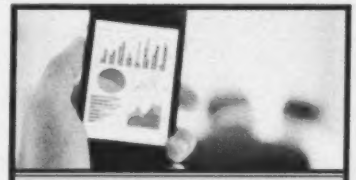
The PEPP Steps Fund, the default investment fund for the Plan, is an asset allocation fund that automatically moves members to more conservative exposures over time. Equity and alternatives' holdings decrease and bond holdings increase by increments of approximately five per cent for each of the 12 steps.

"I appreciate everything you do for us and the tremendous efforts you put into keeping our costs down in regards to the management fees of our Plan."

Investment Options*

Accelerated Growth Fund

The Accelerated Growth Fund offers the highest risk and highest potential return. The goal of this fund is to provide capital growth over the long term. It invests primarily in equities. Foreign currency exposure for this fund is 22.7 per cent (foreign exposure of 45.3 per cent, less hedged exposure of 22.7 per cent).



One year rate of return

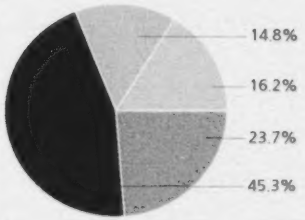
-0.6%

Less Fund Fees

0.71%

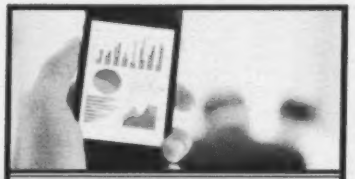
Net Rate of Return

-1.3%



Growth Fund

The Growth Fund is an aggressive fund offering relatively high risk and high potential return. Its goal is to provide capital growth over the long term by investing largely in equities. Foreign currency exposure for this fund is 20.1 per cent (foreign exposure of 40.1 per cent, less hedged exposure of 20.1 per cent).



One year rate of return

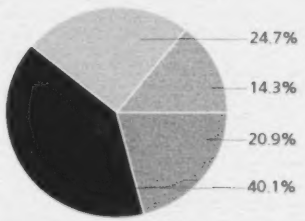
-0.4%

Less Fund Fees

0.66%

Net Rate of Return

-1.1%

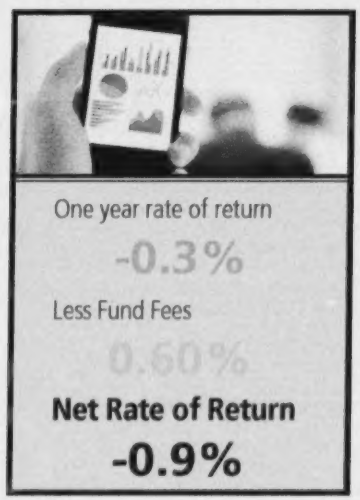


Fixed Income Alternatives Canadian Equity Foreign Equity

* The pie charts for all of the investment options list the actual asset mix for each fund as at March 31, 2016.

Balanced Fund

The Balanced Fund offers relatively balanced potential risk and return. Its goal is to provide long-term capital growth. The Balanced Fund provides target weight of 52 per cent for equities. Foreign currency exposure for this fund is 17.4 per cent (foreign exposure of 34.8 per cent, less hedged exposure of 17.4 per cent).



One year rate of return

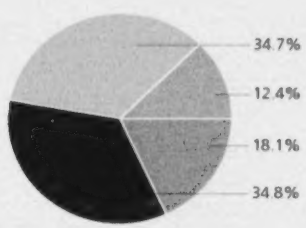
-0.3%

Less Fund Fees

0.60%

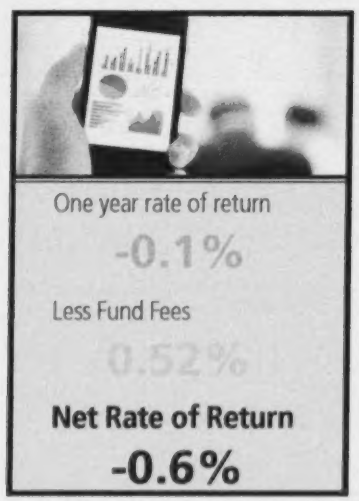
Net Rate of Return

-0.9%



Moderate Fund

The Moderate Fund is designated to provide a balance of security and long-term growth by balancing the risk and potential returns of the major asset classes. The Moderate Fund provides target weight of 49 per cent for fixed-income. Foreign currency exposure for this fund is 13.4 per cent (foreign exposure of 26.8 per cent, less hedged exposure of 13.4 per cent).



One year rate of return

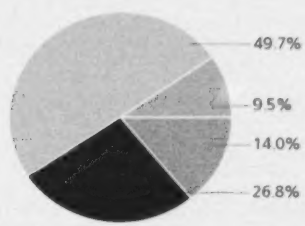
-0.1%

Less Fund Fees

0.52%

Net Rate of Return

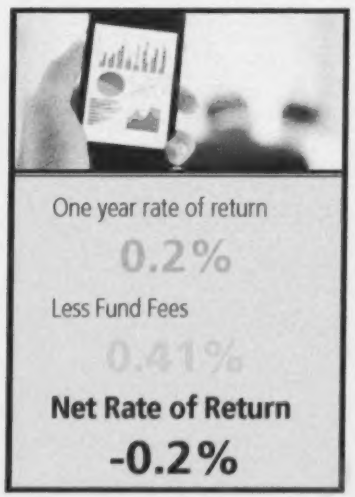
-0.6%



Fixed Income Alternatives Canadian Equity Foreign Equity

Conservative Fund

The Conservative Fund is designated to provide returns with little fluctuation. By focusing mainly on fixed-income investments, it offers lower risk and lower potential for return that other PEPP asset allocation funds. Foreign currency exposure for this fund is 8.1 per cent (foreign exposure of 16.1 per cent, less hedged exposure of 8.1 per cent).



One year rate of return

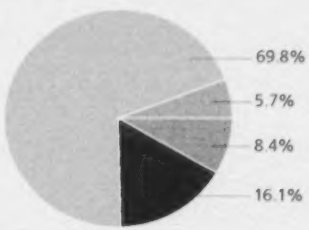
0.2%

Less Fund Fees

0.41%

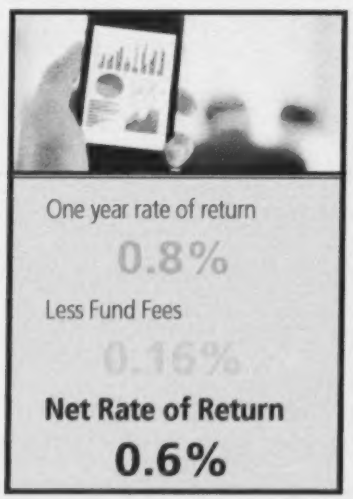
Net Rate of Return

-0.2%



Bond Fund

The Bond Fund is one of the most conservative investment options within PEPP and offers low potential risk and return. Because its goal is to provide broad exposure to the Canadian Bond Market, earn interest income and preserve Capital, it invests strictly in bonds. There is no foreign currency exposure for this fund.



One year rate of return

0.8%

Less Fund Fees

0.16%

Net Rate of Return

0.6%

Fixed Income Alternatives Canadian Equity Foreign Equity

Money Market Fund

The Money Market Fund is the most conservative investment choice within PEPP and offers the lowest potential risks and returns. This fund is designed for members who have a very short time horizon and are looking for the ultimate capital preservation option. There is no foreign currency exposure for this fund.

One year rate of return

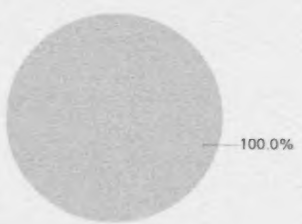
0.9%

Less Fund Fees

0.13%

Net Rate of Return

0.8%



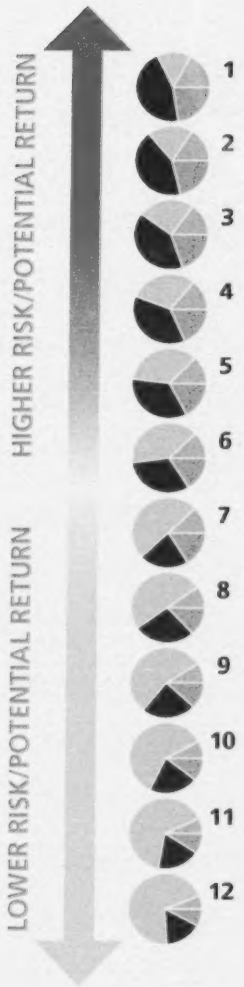
PEPP Steps Fund

The PEPP Steps Fund is the default investment fund for the Plan. It is made up of a diversified investment portfolio which automatically moves members to more conservative investments in five-year intervals. Equity and Alternative exposures decrease and bond holdings increase by increments of about five per cent for each step. Because of its unique structure, the PEPP Steps Fund does not have a single rate of return or fee level. Fees range from 0.71 per cent for PEPP Step 1 to 0.41 per cent for PEPP Step 12.

PEPP Fees and Rates of Return (as at March 31, 2016)

		(%)	
Fund	Gross Rate of Return	Fees	Net Rate of Return
PEPP Step 1	(0.6)	0.71	(1.3)
PEPP Step 2	(0.4)	0.68	(1.1)
PEPP Step 3	(0.4)	0.66	(1.1)
PEPP Step 4	(0.4)	0.63	(1.0)
PEPP Step 5	(0.3)	0.60	(0.9)
PEPP Step 6	(0.2)	0.57	(0.8)
PEPP Step 7	(0.2)	0.55	(0.7)
PEPP Step 8	(0.1)	0.52	(0.6)
PEPP Step 9	0.1	0.49	(0.4)
PEPP Step 10	0.1	0.46	(0.4)
PEPP Step 11	(0.1)	0.43	(0.5)
PEPP Step 12	0.2	0.41	(0.2)

Table 1.6



Fixed Income Alternatives Canadian Equity Foreign Equity

Investment Managers

Within each asset class, one or more investment managers are used for each investment option. The use of different managers allows for further diversification of the investments within each investment option. The use of different investment managers allows the Plan to employ different investment styles that can focus on different regions or sectors for investment, reducing the risk that any one region sector or style may suffer during any economic cycle or event.

Changes to Investment Managers In 2015-2016

One new manager commenced the management of investments in 2015-16. Burgundy Asset Management Ltd. (Burgundy) is managing a global equity mandate through its Global Equity strategy.

In addition, the Board terminated Schroder Investment Management North America Inc. which had been managing a global equity strategy on behalf of the Plan.

Effective December 1, 2015, BlueCrest began a process of divesting its investment portfolio, returning capital managed by BlueCrest to all investors as soon as practicable. As of March 31, 2016 $31.9 million in Plan assets were held by BlueCrest awaiting liquidation.

Investment Manager Mandates (as at March 31, 2016)

Investment Manager	Mandate	Description
Beutel, Goodman & Company Ltd. (Beutel)	• Canadian Equities	Actively manages Canadian equities
GE Asset Management Inc. (GEAM)	• Canadian Equities	Actively manages Canadian equities
QV Investors Inc. (QV)	• Canadian Equities	Actively manages small and mid cap Canadian equities
GlobeFlex Capital, L.P. (GlobeFlex)	• Canadian Equities	Actively manages small cap Canadian equities
J. Zechner Associates Inc. (Zechner)	• Canadian Equities	Actively manages small cap Canadian equities
Greystone Managed Investments Inc. (Greystone)	• Real Estate • Fixed Income	Actively manages real estate Actively manages fixed income
AllianceBernstein Canada, Inc. (AB)	• Fixed Income	Actively manages fixed income
PIMCO Canada Corp. (PIMCO)	• Fixed Income	Actively manages fixed income
TD Asset Management Inc. (TDAM)	• Canadian Equities • U.S. Equities • Fixed Income • Money Market	Passively manages Canadian equities Passively manages U.S. equities Passively manages fixed income Passively manages money market

Investment Manager	Mandate	Description
Franklin Templeton Institutional, LLC (Franklin)	• Global Equities	Actively manages global equities
Burgundy Asset Management Ltd. (Burgundy)	• Global Equities	Actively manages global equities
Investec Asset Management Ltd. (Investec)	• Global Equities	Actively manages global equities
Tweedy, Browne Company LLC (Tweedy)	• Non-North American Equities	Actively manages non-North American equities
Gannett Welsh & Kotler, LLC (GWK)	• U.S. Equities	Actively manages small cap U.S. equities
SouthernSun Asset Management LLC (SouthernSun)	• U.S. Equities	Actively manages small and mid cap U.S. equities
Oberweis Asset Management, Inc. (Oberweis)	• EAFE Equities	Actively manages small cap EAFE equities
Thompson, Siegel & Walmsley LLC (TSW)	• EAFE Equities	Actively manages small cap EAFE equities
AQR Capital Management, LLC (AQR)	• Emerging Markets Equities	Actively manages EM equities
T. Rowe Price (Canada), Inc. (T. Rowe)	• Emerging Markets Equities	Actively manages EM equities
BlueCrest Capital Management LLP (BlueCrest)	• Liquid Alternative	Actively manages global macro mandates
Brevan Howard US LLC (Brevan)	• Liquid Alternative	Actively manages global macro mandates
Grantham, Mayo, Van Otterloo & Co. (GMO)	• Liquid Alternative	Actively manages a managed futures/global macro mandate
Winton Capital Management (Winton)	• Liquid Alternative	Actively manages a managed futures/global macro mandate
Insight Investment Management Ltd. (Insight)	• Hedge 50 per cent of foreign currency exposure	Passively manages currency hedging

Table 1.7

Investment Performance

The Board retains 23 investment managers to invest the assets of the Plan as well as one passive currency hedge manager. Those managers employing an "active" investment management style are given the objective of out-performing the market index or benchmark selected for their mandate. Managers employing a "passive" investment management style are given the objective of equalling the market index or benchmark selected for their mandate.

Canadian Equities

	Net Rate of Return	
	1-Year Return	4-Year Return
Canadian Equity Manager		
TDAM (passive manager)	(6.6)	5.3
Beutel (active manager)	(1.2)	n/a
GEAM (active manager)	(5.9)	n/a
Benchmark (S&P/TSX Capped Composite Index)	(6.6)	5.3
Canadian SMID Cap Equity Manager		
QV (active manager)	(3.0)	n/a
Benchmark (S&P/TSX Completion Index)	(7.9)	3.2
Canadian Small Cap Equity Manager		
GlobeFlex (active manager)	(0.3)	7.1
Zechner (active manager)	(3.2)	n/a
Benchmark (S&P/TSX Small Cap Index*)	(5.7)	(2.3)

* Prior to January 2013, benchmark was the BMO Small Cap Index.

Table 1.8

US Equities

	Net Rate of Return	
	1-Year Return	4-Year Return
U.S. Equity Manager		
TDAM (passive manager)	3.9	19.8
Benchmark (S&P 500 Index - $Cdn)	4.0	19.8
U.S. Small/Mid Cap Equity Manager		
SouthernSun (active manager)	(8.7)	n/a
Benchmark (Russell 2500 Index - $Cdn)	(5.3)	17.8
U.S. Small Cap Equity Manager		
GWK (active manager)	(0.3)	n/a
Benchmark (Russell 2000 Index - $Cdn)	(7.8)	16.4

Table 1.9

Non-North American/Global, Emerging Market Equities

	Net Rate of Return	
	1-Year Return	4-Year Return
Non-North American Equity Managers		
Tweedy (active manager)	(4.1)	11.1
Benchmark (MSCI EAFE Index - $Cdn)	(6.3)	11.6
Global Equity Managers		
Investec (active manager)	(6.0)	n/a
Benchmark (MSCI AC World Index - $Cdn)	(1.8)	14.5
Burgundy (active manager)	n/a	n/a
Franklin (active manager)	(0.1)	n/a
Benchmark (MSCI World Index - $Cdn)	(0.8)	15.9
EAFE Small Cap Equity Managers		
Oberweis	9.3	n/a
Benchmark (MSCI World ex US Small Cap index - $Cdn)	4.9	14.5
TSW	3.4	n/a
Benchmark (MSCI EAFE Small Cap Index - $Cdn)	5.7	16.4
Emerging Market Managers		
AQR	(12.1)	n/a
T. Rowe	(7.8)	n/a
Benchmark (MSCI Emerging Market Index - $Cdn)	(9.8)	3.9

Table 1.10

Alternatives

	Net Rate of Return	
	1-Year Return	4-Year Return
Real Estate Manager		
Greystone (active manager)	5.7	8.2
Benchmark (Investment Property Databank)	6.7	9.3
Liquid Alternative Managers		
Winton	(1.9)	n/a
BlueCrest	(0.9)	n/a
Brevan	(1.8)	n/a
Benchmark (3-Month US Treasury Bills - $Cdn)	2.2	6.9
GMO	(6.9)	n/a
Benchmark (FTSE TMX Cda 91-Day T-Bill Index)	0.5	0.9

Table 1.11

Fixed Income

	Net Rate of Return	
	1-Year Return	4-Year Return
Canadian Bond Managers		
Greystone (active manager)	0.4	3.7
TDAM (passive manager)	0.7	4.0
AB (active CorePlus manager)	0.6	n/a
PIMCO (active CorePlus manager)	1.2	n/a
Benchmark (DEX Universe Bond Index)	0.8	4.0
PIMCO (active absolute return manager)	(2.6)	n/a
Benchmark (FTSE TMX Cda 91-day T-Bill Index)	0.5	0.9

Table 1.12

Cash and Equivalents

	Net Rate of Return	
	1-Year Return	4-Year Return
Money Market Manager		
TDAM (active manager)	0.9	1.1
Benchmark (FTSE TMX Cda 91-day T-Bill Index)	0.5	0.9

Table 1.13

Notes:

During 2009, the Board terminated the U.S. equity mandate managed by Northwater Capital Management Inc. (Northwater). A less liquid portion of this mandate, consisting of a fund of hedge funds, is still held by the Plan and is being redeemed. Subsequent to termination, Northwater sold its fund of hedge funds operations to Crestline Investors Inc.

Mandates with inception dates that do not extend back four years are denoted with "N/A" in the 4-Year Return column as full performance history has not yet accrued.

Investment Consulting

The Board retains Mercer (Canada) Limited for investment consulting services that include research and analysis of financial markets, market trends, investment managers, and investment performance, but also global trends in investments and pension plan design. Mercer (Canada) Limited was paid $483,000 in fees for the year ended March 31, 2016.

Investment Custody and Valuation

The Board retains RBC Investor & Treasury Services as the custodian of the Plan. The custodian is responsible for custody of all financial assets for PEPP, settles all investment transactions and ensures all investment income (dividends and interest) is collected. The custodian also reports all investment transactions and conducts valuation for the Plan. The custodian was paid $1,140,000 for the year ended March 31, 2016.

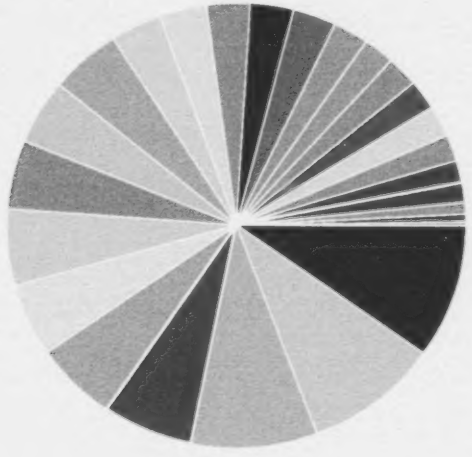
Investment Administration

This includes declaring unit values for all investment options, monitoring of investment performance, communicating with external investment managers and the investment consultant, research, compliance monitoring and managing asset mix and cash flows.

Investment Manager Fees ($ thousands) (for the 2015-2016 fiscal year)

3,619	BlueCrest Capital Management LLP
3,579	Tweedy, Browne Company LLC
3,284	Brevan Howard US LLC
2,330	Greystone Managed Investments Inc.
2,111	Franklin Templeton Institutional, LLC
2,087	Burgundy Asset Management Ltd.
1,986	PIMCO Canada Corp.
1,857	Winton Capital Management
1,845	Grantham, Mayo, Van Otterloo & Co.
1,830	Investec Asset Management Ltd.
1,317	Schroder Investment Management North America Inc.
1,203	Oberweis Asset Management, Inc.
1,194	AQR Capital Management, LLC
1,119	AllianceBernstein Canada, Inc.
1,105	Thompson, Siegel & Walmsley LLC
889	SouthernSun Asset Management LLC
870	T. Rowe Price (Canada), Inc.
834	Gannett Welsh & Kotler, LLC
828	GE Asset Management Inc.
812	GlobeFlex Capital, L.P.
686	Beutel, Goodman Company Ltd.
659	QV Investors Inc.
498	TD Asset Management Inc.
303	J. Zechner Associates Inc.
231	Pareto Investment Management Limited
29	Crestline Investors, Inc.

$37,033
thousands
Total Investment Manager Fees



Plan Administration

Participating employers include the Government of Saskatchewan, Crown Corporations, agencies, boards and other public institutions.

The Board has delegated the day-to-day administration of the Plan and management of its assets to PEBA. The cost for this is charged to the Fund. PEBA is a branch of the Ministry of Finance and administers a wide range of pension and benefit plans.

Under contract with the Board, PEBA provides all services required to operate, administer and manage the Plan in a manner consistent with and according to all statutory provisions and regulations that apply to the Plan.

To administer the Plan, PEBA:

- maintains all member and accounting records;
- collects and deposits contributions to the Fund;
- transfers contributions to the custodian of the Fund for investment;
- determines all questions of coverage, eligibility and methods of providing or arranging for the provision of pension benefits;
- calculates and pays all pension benefits;
- communicates with members and participating employers; and
- prepares the annual report.

PEBA also provides Senior Executive Officer services and Executive Secretary services to the Board. In 2015-2016, the Board paid PEBA $7,052,000 for administrative services.

Administration Service Standards

PEBA reports performance measurement against standards to the Board quarterly. *Table 1.14* and *Table 1.15* provide measurement results for the 2015-2016 year.

"Thank you to the PEPP team for your most expeditious processing. In the world of pension processing...that is a pretty amazing turnaround."

PEBA Service Standards April 1, 2015 to March 31, 2016

Task	Completed	Met or Exceeded Standard		Standard (Days)*	Statutory Requirement (Days)**
		Number	%		
Statement on Termination of Membership (option letter)	2,947	2,635	89.4	4	90
Payment of Termination Benefits	1,873	1,634	87.2	4	-
Statement on Retirement (option letter)	692	494	71.4	4	90
Retirement Payments	1,822	1,487	81.6	4	-
Statement on Death (option letter)	104	73	70.2	5	90
Payment of Death Benefits	98	83	84.7	4	-
Pension Estimates	520	408	78.5	4	-
Marriage Breakdown Estimates	130	111	85.4	5	-
Portability Transfer Values	40	34	85.0	5	-
Written Correspondence***	9,225	9,225	100.0	5	-
Total	**17,451**	**16,184**	**92.7**		

Table 1.14

* Standard is set within the contract between the Board and PEBA.
** Statutory Requirement is a compliance standard within *The Pension Benefits Act, 1992* and *The Pension Benefits Regulations, 1993*.
*** The majority of written correspondence is received by PEPP Inquiry email. The PEPP Inquiry email receipts and responses are monitored daily by the Assistant Manager.

PEBA Periodic Requirements April 1, 2015 to March 31, 2016

Task	Completed	Met or Exceeded Standard		Standard (Days)*	Statutory Requirement (Days)**
		Number	%		
Member Statement	3	3	100.0	75	180
Reporting on Budget Variances	4	4	100.0	Quarterly	-
Proposed Annual Budget	1	1	100.0	By March 31	-
Performance Measurement	4	4	100.0	Quarterly	-
Board Decision Affecting Individual Clients	0	n/a	n/a	1 Month	-
Newsletter (Pension Perspectives)	4	4	100.0	Quarterly	-
Total	**15**	**15**	**100.0**		

Table 1.15

* Standard is set within the contract between the Board and PEBA.
** Statutory Requirement is a compliance standard within *The Pension Benefits Act, 1992* and *The Pension Benefits Regulations, 1993*.

Key Performance Indicators

Key performance indicators allow the Board to monitor the services delivered to Plan members and the tasks that are critical for the Plan's ongoing success.

The Plan needs to measure its performance in areas that are critical for success, if it is to deliver the services that members expect from the Plan. The Plan measures these critical success factors in four categories:

Customer measures track the performance of key customer-related tasks and how well members tell the Plan it is doing in terms of the information and services it provides members.

Financial measures track the Plan's performance in the areas of administration costs and investment performance;

Internal measures track the Plan's performance in the area of internal administration and governance processes; and

Innovation and Learning measures track the Board's performance of educational activities supporting its oversight of the Plan's administration and investment activities.

Establishing targets ensures that the Board is able to review the Plan's performance of key administrative tasks against a standard of practice, to track any changes in performance over time, and to be aware of the areas of strength and weakness in the Plan's administration.

The Board reviews these key performance indicators on a bi-annual basis throughout the year. A review of the Plan's performance during the year ended March 31, 2016 is provided in the following pages.

Summary

The Plan met a majority of its performance targets in 2015-2016. Consistently high performance in several areas with timely, efficient, and satisfactory service to Plan members has been marred by turbulent financial markets over the past year.

While the performance documented by one investment-related measure remains poor (33.3 per cent), relative performance has improved over the previous year. The extent of underperformance remains moderate, with seven options trailing their four-year benchmark within 40 basis points and three options underperforming by less than 20 basis points.

Most of the Board's key service providers were rated as "satisfactory" during 2015-2016. One of the Plan's service providers received an "unsatisfactory" evaluation but improvement in their performance has been reported throughout the year.

Customer

Critical success factor	Measure	Target	Result
Quality of service satisfaction	Member satisfaction with quality of communication materials and service	More than 80 per cent of member survey responses indicate satisfaction with services	Not Met[1]
Member retention	Member satisfaction with information sessions	More than 80 per cent of member survey responses indicate satisfaction with information sessions	Met
Member retention	Member fund retention	More than 95 per cent of funds available for withdrawal are left in the Plan	Met
Provide service within service standard	Member transactions within service standards	More than 80 per cent of transactions meet the service standard	Met

[1] Member satisfaction with the service PEBA provides, as indicated by survey responses year-to-date, at 75 per cent, has fallen slightly below the performance target. On November 1, 2014, PEPP replaced the paper-based survey on which the measure is based with a new electronic survey. The new survey, unlike the previous one, allows members to select a neutral option ("neither agree nor disagree"). These neutral responses are excluded for the purposes of calculating the member satisfaction percentage.

Financial

Critical success factor	Measure	Target	Result
Returns greater than benchmarks	Investment fund rate of return compared to benchmark	All funds perform better than their respective benchmarks	Not met [2]
Performance to budget	Administration cost	Administration cost within budgeted amount	Met
Supplier management	Active investment manager investment return	Performance of all active investment managers exceeds four-year benchmarks	Not met [3]
Supplier management	Passive investment manager investment return	Performance of all passive investment managers exceeds four-year benchmarks	Met
Supplier management	Breakage as a percentage of total financial transactions	Fewer than one per cent of financial transactions incur breakage	Met

[2] There are twelve investment options with four years of history, and four provided a positive value-add over benchmark in the quarter ended March 31, 2016. Underperformance is primarily in fixed income mandates and is largely the outcome of having below-index interest-rate risk exposure in an environment where yields have fallen. While absolute returns over the current four-year period are slightly lower when compared to returns from a year prior, relative performance has improved over the previous year.

[3] At March 31, 2016, three of the Plan's five active investment managers who have four years of experience (60 per cent) added value in comparison to their four-year benchmarks. This performance was consistently below the target of 100 per cent throughout the year..

Internal

Critical success factor	Measure	Target	Result
Supplier management	Service provider performance is satisfactory	Performance of all service providers is satisfactory	Not met [4]
PEBA leadership	Satisfactory rating for Executive Management Services	Board's evaluation of its administrator shows satisfaction with the executive management services provided	Met
Governance	Compliance with Governance Self-Assessment and CAP Guidelines	Board demonstrates 100 per cent compliance with CAPSA governance and CAP guidelines	Met
Supplier management	Investment manager compliance reporting is 100 per cent annually	All required compliance reports are submitted	Met
Performance to budget	Actual expenditures on budgeted strategic initiatives compared to budget	Expenditures within budgeted amount	Met
Performance to schedule	Budgeted strategic initiatives are completed on schedule	All budgeted initiatives completed on schedule	Met

[4] The performance of one of the Plan's key service providers was documented as "unsatisfactory" during the year. As a result, performance in this area did not meet the Board's target of satisfactory performance of 100 per cent from the Board's key service providers. Additional steps have been taken on the part of the service provider to increase service levels and performance has improved.

Innovation and Learning

Critical success factor	Measure	Target	Result
Board leadership capacity	Board training budget expenditure	Board spends at least 50 per cent of education budget	Not Met [5]
Board leadership capacity	Board training requirements	Board as a whole has completed at least 80 per cent of individual training requirements	Not Met [6]

[5] Board member educational activity was limited throughout the year. Five Board members, who were appointed for the entire fiscal year, did not attend any training.

[6] Four Board members are progressing through the Board's new Board member orientation program. Two new Board members were appointed over the past year..

Strategic Goals

In 2015-2016, the Board revised its Strategic Business Plan for 2015-2016 to 2017-2018. The new Strategic Business Plan is built on a new vision and mission:

Vision

PEPP will consistently exceed the expectations of members and employers and will be a leader in the pension industry.

Mission

To provide an unequalled defined contribution retirement plan and best-in-class services to members and employers.

The Board identified the following five strategic goals and accompanying objectives as part of its Strategic Business Plan:

Investment • Service • Cost Effectiveness • Stewardship • Engagement

A. Investment

Earn competitive long-term investment returns for members while managing risk.

PEPP members need their retirement savings to grow. They also need the risk of investing their retirement savings to be in-line with the return expectations they adopt when they choose an investment option.

PEPP recognizes the fundamental need for competitive long-term returns for members to achieve their desired retirement outcomes. Because members are responsible for their investment choices, PEPP ensures that the options members can choose from are appropriate and offer something for members of every investment preference and risk appetite.

To that end, PEPP engages in a periodic review of its investment options to ensure they meet member needs. Changes resulting from the most recent review were implemented in 2014.

Objectives

- Ensure effective processes for selecting and monitoring investment managers.
- Provide a range of investment solutions to meet the diverse needs of individual members including controlling their individual risk.

Activities Planned for 2016-2017

- PEPP will begin preparations for the next investment option review, scheduled to begin 2017-2018.

> *"Thorough and easy to deal with. That is what you folks are!!!! Thanks again."*

B. Service

Deliver exceptional and innovative service to members and employers.

PEPP is committed to ensuring that Plan members have access to pension services and information which meet their needs.

PEPP is determined to maintain its position as an industry leader in the value-added services it offers its members. The Plan is continually exploring leading industry practices, but its primary benchmark in service delivery is the satisfaction of Plan members.

PEPP members are responsible for making very important choices that play a large part in whether they achieve the retirement outcomes they desire. This means that PEPP must provide the information and services that can help members make those crucial decisions.

The only way that PEPP can know whether the service it provides is meeting member needs is to ask members. PEPP is committed to facilitating two-way communication with members to gather their feedback.

Objectives

- Maintain an up-to-date suite of products and services that meet evolving member needs, that provide members with a reason to remain in the Plan, that attract voluntary contributions from members, and that attract other public-sector employers to join the Plan to maintain economies of scale.

Activities Planned for 2016-2017

- The Board will examine the information, tools and products offered to members for the management of their draw-down phase.

C. Cost-Effectiveness

Operate efficiently and cost-effectively.

PEPP members participate in a pension plan that provides excellent value through economies of scale. It is crucial to ensure that members receive the full benefit of this value.

Efficiency of service minimizes costs and maximizes value for Plan members.

Objectives

- Allocate resources to maximize effectiveness and efficiency of services provided to Plan members and employers.

Activities Planned for 2016-2017

- No new initiatives are planned for 2016-2017.

D. Stewardship

Ensure PEPP is well-governed and accountable to Plan members and employers.

The Board recognizes that good governance is crucial to the long-term success of the Plan. Good governance requires appropriate control mechanisms that encourage good decision-making, proper and timely execution, and regular review and assessment. The Board strives to be an industry leader in its pension plan governance practices.

The Board believes that good governance requires a strong focus on accountability, the basis of which is the establishment of measurable objectives, the monitoring of progress against these objectives, and the communication of the results to Plan stakeholders.

Objectives

- The Board demonstrates that it governs the Plan responsibly.
- The Board provides appropriate oversight of service providers.

Activities planned and accomplished in 2015-2016:

- The Board engaged in critical self-analysis regarding the governance model of the Board.

Activities Planned for 2016-2017

- The Board will continue to explore ways of optimizing the utilization of oversight tools it currently possesses.

E. Engagement

Ensure members understand their responsibilities and have the right tools and information available.

PEPP members are responsible for making decisions while they participate in the Plan. Members may not understand this responsibility, and may be unaware of the ways in which PEPP can help them make the decisions they are responsible for making.

PEPP provides the tools and information that members need. PEPP strives to ensure that members are aware of their responsibilities and ways in which PEPP can help. PEPP also makes every effort to ensure that its provision of information and services is responsive to the needs of the Plan's members.

Objectives

- Support member understanding of the Plan, including individual member benefits and responsibilities for making decisions pursuant to the Plan.
- Support member understanding that they are responsible for planning their own retirement.
- Provide relevant, timely and accurate information which is easy to understand.

Activities planned and accomplished in 2015-2016:

- The Board approved the development of the member and stakeholder engagement strategy.

Activities Planned for 2016-2017

- Work will continue on the member engagement strategy to build long-term two-way relationships with members and stakeholders.

Risk Management

The Board is responsible for managing risks that could affect the Plan's members, the operation of PEPP and other stakeholders.

Within its mandate, the Board is responsible for managing risks that could affect the Plan's members, the operation of PEPP and other stakeholders.

Annually, the Board will conduct a risk-management review. This annual review is designed to identify potential events and trends that may positively or negatively affect the Board's ability to achieve its strategic goals or maintain its operations. These events and trends are defined as risks.

Risk: The potential events and trends that may positively or negatively affect the operation of the Plan, the members or other stakeholders of the Plan or the attainment of strategic goals.

The risk-management process and review ensures that the Board, along with its administrator, identifies and evaluates risks, ensures appropriate strategies are in place to manage these risks and reviews the performance of the risk-management strategies for the previous year.

The Risk Management Plan and its annual review ensure that a regular, documented process is in place for the management of the Plan's foreseeable risks. Documenting the rationale for arriving at decisions strengthens accountability and demonstrates due diligence.

The Board's Risk Management Philosophy Statement

The Board is committed to creating and maintaining value for the members of the Plan. The Plan faces risks as the Board fulfills this commitment. Therefore, the Board is responsible for managing all foreseeable risks that could affect the operation of the Plan and the Plan's stakeholders. Through its risk-management process, the Board identifies, measures, monitors and manages these risks in a manner that is consistent with the Board's governance model.

Key Risks

In order to assist in the identification and assessment of all foreseeable risks in the Plan, the Board has identified the following key broad-based risks to the Plan:

Broad-based Risks		Key Risks
Strategic Risk	Strategic Risk is the risk of failing to meet objectives. Strategic risk is further categorized into governance, reputation, plan design and communication considerations.	• Failure to meet plan members' or participating employers' needs. • Lack of member understanding of the role of the pension plan in the attainment of their retirement objectives.
Financial Risk	In order to meet the long-term needs of members and employers, sustainable pension products responsive to and valued by members, employers, unions and the sponsor must be maintained. This must be achieved in a way that considers the affordability and adequacy of the Plan's services.	• Investment of assets. • Excessive costs/expenses. • Fraudulent activities of service providers, the administrator or the Board.
Regulatory Risk	Regulatory risk is the risk of not meeting objectives due to non-compliance with legislation or regulation, or due to changes in legislation or regulations, or precedent-setting court decisions.	• Non-compliance with legislative and common-law requirements. • Failure to meet fiduciary obligations to Plan members and their beneficiaries or obligations to other stakeholders.
Operational Risk	Operational risk is the risk of failing to meet objectives due to inadequate or failed internal processes, human performance, or technology, or due to external events. Operational risks includes service-provider risk, which is the risk of failing to meet objectives due to the inability or unwillingness of a service provider to fulfill its obligations.	• Errors and omissions by administrative agent or professional advisors. • Service provider unable to carry on business. • Poor performance of service providers.

The Board believes that the broad-based risks are integrated with each other and with the processes of the Plan. Therefore, the Board has resolved to retain a balanced approach in the management of all four types of risks.

The Board has developed and implemented these strategies and ongoing business practices to manage the key risks facing the plan:

- The Board implemented a Statement of Investment Policies and Goals (SIP&G) that outlines the Board's investment beliefs and provides for risk management through diversification of asset classes, capital markets and investment managers.

  The SIP&G defines the benchmark to which investment performance is measured. The Board annually reviews the SIP&G.

  The Board communicates investment performance.

  Independent monitoring is carried out by:

  - PEBA;
  - Mercer (Canada) Ltd.;
  - RBC Dexia Investor Services; and
  - custodians of pooled funds used by the Board.

- The Board ensures initiatives and Plan-related activities are adequately funded through its budgeting process.

- The Board receives a report comparing the administrative costs for public-sector pension plans, including other public-sector defined contribution pension plans, annually.

- The Board reviews the performance standards for the Board's administrator quarterly, investment consultant annually, investment managers quarterly, and custodian semi-annually.

- The Board annually evaluates the performance of the executive management services provided by its administrator.

- The Board requires that service providers confirm that they maintain disaster recovery plans and adhere to a code of conduct.

- There are two levels of audit:
  - The Board retains KPMG LLP to conduct an audit of the Plan.
  - The Provincial Auditor reports to the Legislative Assembly regarding the audit of the Plan.

- The Board has an Acquisition and Retention of Services policy that details how the Board is to retain and evaluate service providers.

- The Board's administrator reviews and reports compliance with legislative requirements annually.

- The Periodic Checklist is a list of major items identified by the Board that are necessary for the administration of a pension plan. The checklist allows verification that an activity has been carried out. The completed Periodic Checklist is provided to the Board on a semi-annual basis.

- Board members are required to review and sign the Board's Code of Conduct and Conflict of Interest Procedures at least annually.

- The Board has outlined the education required to aid Board members in executing their fiduciary and governance duties.

- The Board formally reviews its Strategic Business Plan on a periodic basis.

- The Board regularly consults with legal counsel and outside advisors regarding issues on which it is deliberating.

- The Board retains service providers who are experts in the responsibilities to which they are assigned with respect to the Plan.

- PEBA staff provides retirement information seminars and individual information to Plan members.

- Information tools include member and employer seminars, employer bulletins and guides, written materials, and online resources such as the Plan website, PEPP *Access* and Retire@Ease.

- The Board consults with Plan members and participating employers on a regular basis to determine their needs.

Activities Planned and Accomplished in 2015-2016

The Board continued its oversight of the implementation of strategic initiatives.

- The Board approved a new Strategic Business Plan for 2015-2016 to 2017-2018.

Periodic evaluation by the Board's administrator of the performance of the auditor, investment consultant and custodian.

- The Board reviewed the performance of its auditor in September 2015.
- The Board reviewed the performance of its custodian in June 2015.
- The Board reviewed the performance of its investment consultant in March 2016.

Quarterly updates comparing actual expenditures versus budgeted amounts.

- The Board received quarterly updates on its budget for the periods ending June, September, and December 2015, and March 2016.

Semi-annual completion of the Periodic Checklist.

- PEBA provided the Board with the final Periodic Checklist for 2014-2015 in May 2015 and the interim Periodic Checklist for the first six months of 2015-2016 in December 2015. No significant exceptions were noted.

Activities Planned for 2016-2017

- The Board will continue to periodically evaluate the performance of its auditor, investment consultant, custodian, and administrator.
- The Board will continue to receive quarterly updates comparing actual expenditures versus budgeted amounts.
- The completed Periodic Checklist will be provided to the Board on a semi-annual basis.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

The Public Employees Pension Board is composed of four members appointed on behalf of participating employers, four members appointed on behalf of employees, and a Chairperson selected through a formal recruitment process. The Board is responsible for financial administration, administration of the funds and management of assets.

The financial statements, which follow, have been prepared by management in conformity with Canadian accounting standards for pension plans and have been approved by the Board. Management uses internal controls and exercises its best judgment in order that the financial statements reflect fairly the financial position of the Plan.

The financial statements were examined by KPMG LLP. Their report follows.

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency

Regina, Saskatchewan
June 29, 2016

Financial Statements (as at March 31, 2016)

Public Employees Pension Board

Public Employees Pension Plan

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INDEPENDENT AUDITORS' REPORT

To Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of the Public Employees Pension Plan, which comprise the statement of financial position as at March 31, 2016, the statement of changes in net assets available for benefits and pension obligations for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Public Employees Pension Plan as at March 31, 2016, and the changes in its net assets available for benefits and pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Comparative information

The financial statements of the Public Employees Pension Plan as at and for the year ended March 31, 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 26, 2015.

KPMG LLP

Chartered Professional Accountants

June 29, 2016
Regina, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Public Employees Pension Plan
Statement of Financial Position

Statement 1

As at March 31	(in thousands) 2016	2015
ASSETS		
Investments (Note 4)		
Short-term	$ 45,983	$ 9,331
Bonds and Debentures	675,177	674,102
Equities	2,331,002	2,487,652
Pooled Funds	3,990,497	3,379,054
Investments Under Securities Lending Program	1,242,350	500,944
	8,285,009	7,051,083
Receivables		
Contributions Receivable – Employee	1,510	1,004
Contributions Receivable – Employer	1,327	1,270
Accrued Investment Income	12,389	8,588
Other Receivables	12,957	5,061
	28,183	15,923
Cash	126,876	93,704
Due from General Revenue Fund (Note 7)	11,870	7,922
Total Assets	8,451,938	7,168,632
LIABILITIES		
Administrative Expenses Payable	7,902	5,710
Refunds, Transfers And Other Payables	15,181	5,457
Total Liabilities	23,083	11,167
NET ASSETS AVAILABLE FOR BENEFITS	8,428,855	7,157,465
PENSION OBLIGATIONS	8,428,855	7,157,465
SURPLUS	$ -	$ -

(See accompanying notes to the financial statements)

Statement 2

For the Year Ended March 31	(in thousands) 2016	2015
INCREASE IN ASSETS AND PENSION OBLIGATIONS		
Investment Income		
Interest	$ 25,622	$ 30,561
Pooled Funds	130,962	111,973
Dividends	86,596	56,238
Other	3,572	2,539
	246,752	201,311
Change in Fair Value of Investments	-	525,554
Contributions		
Employee Contributions	168,085	148,226
Employer Contributions	163,413	143,802
External Transfers In	19,117	17,941
	350,615	309,969
Transfer from Capital Pension Plan (Note 13)	1,343,614	-
Total Increase In Assets and Pension Obligations	1,940,981	1,036,834
DECREASE IN ASSETS AND PENSION OBLIGATIONS		
Transfers, Refunds and Benefits (Note 6)	350,545	262,832
Transfers to Saskatchewan Pension Annuity Fund	7,312	6,858
Investment Transaction Costs	3,439	3,834
Administrative Expenses (Note 8)	45,225	45,218
Other Expenses	613	3,247
Change in Fair Value of Investments	262,457	-
Total Decrease In Assets and Pension Obligations	669,591	321,989
Net Increase In Net Assets and Pension Obligations	1,271,390	714,845
NET ASSETS AVAILABLE FOR BENEFITS AND PENSION OBLIGATIONS, BEGINNING OF YEAR	7,157,465	6,442,620
NET ASSETS AVAILABLE FOR BENEFITS AND PENSION OBLIGATIONS, END OF YEAR	$ 8,428,855	$ 7,157,465

(See accompanying notes to the financial statements)

1. Description of Plan

The following description of the Public Employees Pension Plan (the "Plan") is a summary only. For more complete information, reference should be made to the Plan text.

a) General

The Public Employees Pension Plan Act (the "Act") is the legislative authority for the Plan which is domiciled in Regina, Saskatchewan, and which is a defined contribution plan that covers the employees of a number of government entities. Effective September 1, 2002, the Plan also covers the Members of the Legislative Assembly.

The Act established the Plan to accumulate all contributions and earnings for plan members. The Plan consists of five asset allocation Funds: the Accelerated Growth Fund, the Growth Fund, the Balanced Fund, the Moderate Fund and the Conservative Fund; one Lifecycle Fund: the PEPP Steps Fund; and two other stand-alone funds: the Bond Fund and the Money Market Fund. Members of the Plan may choose either one of the five asset allocation funds or the PEPP Steps Fund. In addition, each member may also choose the Bond Fund and/or Money Market Fund.

All Funds receive and hold, in trust for members, contributions from the members and employers (collectively "Participants") and investment income derived from the Plan's investments.

The Plan holds varying percentages of bonds and debentures, equities, pooled funds, short-term investments and derivative financial instruments. The asset mix of each fund is established based on the expected volatility of the underlying securities and assets. The Accelerated Growth Fund is considered the most volatile and contains the highest percentage of equities relative to fixed-income investments of all the funds.

The Plan uses a unitized method of plan participation whereby each member has a certain number of units of ownership in the net assets of the investment funds. Investment income including changes in the market value of the investments and expenses is reflected in the market value of the net asset value per unit of participation. The total available to a member upon termination or retirement is equal to the particular member's account balance at that date, subject to certain vesting and other specific rules governing the Plan.

The Plan introduced a Variable Pension Benefit option ("VPB") in May 2006 whereby retired members could elect to withdraw all or some of their pension funds either through lump-sum withdrawals or scheduled monthly payments. Members who participate in the VPB may choose to invest in any of the funds which are offered by the Plan.

b) **Administration**

The Act established the Public Employees Pension Board ("Pension Board") to administer the Plan. The Pension Board is comprised of nine members: four are appointed on behalf of participating employers, four on behalf of employees. The Board conducts an external recruitment process to choose a Chair, who is appointed for a three-year term. The Public Employees Benefits Agency ("PEBA") is under contract with the Board to provide day-to-day administration.

c) **Retirement**

Members may retire as early as age 50.

Upon retirement a member may choose to receive a VPB from the Plan or to purchase an annuity from the Saskatchewan Pension Annuity Fund ("SPAF") or from a private company that issues annuities.

Alternatively, the funds may be left in the Plan to continue to accumulate earnings to provide retirement income beginning no later than the end of the calendar year in which the member reaches age 71, be transferred to a Locked-in Retirement Account or, after age 50, to a Locked-in Retirement Income Fund, Life Income Fund or a Life Annuity from the SPAF or be transferred to another pension plan which has a reciprocal agreement with the Plan.

Members who elect to receive a VPB retain their account balances within the Plan. Those members who purchase their annuities from the Saskatchewan Pension Annuity Fund have their accumulated balance in the Plan at the date of retirement transferred to the SPAF.

A VPB is a periodic payment made from a registered plan to a member of that plan and which must conform to certain minimum payment requirements but not to any maximum payment requirements.

d) **Completeness of Contributions**

Participants are responsible for the accuracy and completeness of member contributions remitted to the Plan. Accordingly, these financial statements presume the accuracy and completeness of the Participants' contributions.

2. Basis of Preparation

a) Statement of Compliance

The financial statements for the year ended March 31, 2016 have been prepared in accordance with Canadian accounting standards for pension plans as defined in the CPA Canada Handbook section 4600, *Pension Plans*. For matters not addressed in Section 4600, International Financial Reporting Standards ("IFRS") have been followed.

These financial statements were authorized and issued by the Pension Board on June 29, 2016.

b) Functional and Presentation Currency

These financial statements are presented in Canadian Dollars, which is the Plan's functional currency, and are rounded to the nearest thousand unless otherwise noted.

3. Significant Accounting Policies

The significant accounting policies are as follows:

a) Investments

Investments are stated at their fair value in the Statement of Financial Position. The change in the fair value of investments from the beginning to the end of each year is reflected in the Statement of Changes in Net Assets Available for Benefits and Pension Obligations.

Fair value of investments is determined as follows:

Short-term investments are valued at cost which, together with accrued investment income, approximates fair value given the short-term nature of these investments.

Bonds and debentures are valued at year-end quoted prices in an active market when available. When quoted market prices are not available, the fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at the appropriate market interest rates.

Equities are valued at year-end quoted prices from accredited stock exchanges on which the security is principally traded.

Pooled-fund investments are valued at the unit value supplied by the pooled-fund administrator, which represent the underlying net assets of the pooled fund at fair values determined using closing prices. Real estate pooled-fund underlying assets are valued by third-party appraisals.

Investments in derivative financial instruments, including futures, repurchase agreements, forwards and option contracts, are valued at year-end quoted market prices where available. Where quoted market prices are not available, values are determined using pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the position.

Investment transactions are recorded on the trade date.

b) **Other Assets and Financial Liabilities**

Accounts receivable are classified as loans and receivables and accounts payable are classified as other financial liabilities and are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

c) **Investment Income and Transaction Costs**

Investment income, which is recorded on the accrual basis, includes interest income, dividends, pooled-fund income, and other income.

Brokers' commissions and other transaction costs are recognized in the Statement of Changes in Net Assets Available for Benefits and Pension Obligations in the period incurred.

d) **Foreign Currency Translation**

The fair values of foreign currency denominated investments included in the Statement of Financial Position are translated into Canadian dollars at year-end rates of exchange. Gains and losses from translations are included in the change in fair value of investments.

Foreign currency-denomination transactions are translated into Canadian dollars at the rates of exchange on the trade dates of the related transactions. Realized gains and losses on the sale of investments are included in the change in fair value of investments.

e) **Income Taxes**

The Plan is a registered pension plan, as defined by the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

f) **Use of Estimates and Judgments**

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments. Actual results could differ from these estimates.

g) **Future Accounting Policy Changes**

Certain new standards, amendments to standards and interpretations, are not yet effective for the year ended March 31, 2016, and have not been applied in preparing these financial statements. In particular, IFRS 9, Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement, and includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and a new general hedge accounting model. The standard is effective for annual periods beginning on or after January 1, 2018. The extent of the impact of adoption of this standard is not known at this time, but is not expected to be material.

4. Investments

The fair values of the Plan's investments are as follows:

	2016	2015
Short-term	$ 45,983	$ 9,331
Bonds and Debentures	675,177	674,102
Equities	2,331,002	2,487,652
Pooled Funds	3,990,497	3,379,054
	7,042,659	6,550,139
Investments Under Securities Lending:		
Short-term	9,897	14,022
Bonds and Debentures	265,096	85,093
Equities	967,357	401,829
	1,242,350	500,944
	$ 8,285,009	**$ 7,051,083**

Security Lending Program

Through its custodian, the Plan participates in an investment security lending program for the purpose of generating fee income. Non-cash collateral of at least 105 per cent of the market value of the loaned securities is retained by the Plan until the loaned securities have been returned (see Securities Lending Program in Note 9). The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

Short-term Investments

Short-term investments are comprised of treasury bills, notes, commercial paper, repurchase agreements, foreign exchange forward contracts and a short-term investment fund. Short-term investments held at March 31, 2016 had effective rates of 0.40 per cent to 1.70 per cent (2015 - 0.50 per cent to 0.90 per cent), and an average remaining term to maturity of 56 days (2015 - 62 days). The repurchase agreements and foreign exchange forward contracts are discussed further in Note 5.

Other than the Government of Canada, no single issue represents more than 14.90 per cent (2015 - 4.21 per cent) of the market value of the short-term investment portfolio.

Bonds and Debentures

2016 (in thousands)

Years to Maturity	Federal	Provincial	Municipal	Corporate	Total Market Value	Coupon Rate	Effective Interest Rate
Under 5	$218,035	$ 15,718	$ -	$247,071	$480,824	0.00% - 5.26%	2.01%
5 to 10	1,378	63,716	4,447	91,840	161,381	1.88% - 8.29%	3.11%
Over 10	33,134	182,831	2,548	79,555	298,068	2.90% - 6.67%	3.48%
Market Value	$252,547	$262,265	$6,995	$418,466	$940,273		

2015 (in thousands)

Years to Maturity	Federal	Provincial	Municipal	Corporate	Total Market Value	Coupon Rate	Effective Interest Rate
Under 5	$167,174	$ 2,444	$ -	$213,442	$383,060	0.00% - 5.26%	2.11%
5 to 10	11,272	43,678	-	67,796	122,746	1.97% - 7.18%	3.13%
Over 10	48,722	150,139	2,179	52,349	253,389	3.45% - 8.29%	3.75%
Market Value	$227,168	$196,261	$2,179	$333,587	$759,195		

Included in the above amounts of corporate bonds are foreign bonds, issued by foreign entities in Canadian currency, with a market value of $11.5 million (2015 - $3.8 million). Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties. As at March 31, 2016, approximately $0.02 million (2015 - $0.02 million) in asset-backed securities is included in bonds.

Equities

The Plan's investment policy allows no one holding to represent more than 10 per cent of the market value of the related portfolio and no one holding to represent more than 10 per cent of the common stock in any corporation. As at March 31, 2016, the market value of the Plan's foreign equity investments in Canadian dollars amounted to $2,261 million (2015 - $2,059 million) and foreign equities represent 68.5 per cent (2015 - 71.3 per cent) of the market value of the directly-held equity portfolio.

The Plan's equities include common shares that have no fixed maturity date and are generally not exposed to interest rate risk. The average dividend rate is 4.13 per cent (2015 - 2.04 per cent).

Real Estate

Investments in real estate consist of Canadian commercial property held through an investment in Greystone Real Estate Fund. The market appraisals used in valuing the real estate involves various assumptions. Changes in the underlying assumptions will have an impact on the market value of the investments.

Liquid Alternatives

Investments in liquid alternative investment strategies provide diverse exposure across multiple asset classes and employ a range of global macro and relative value trading strategies. These mandates invest in liquid financial instruments within various markets such as fixed income, foreign currency, commodities, and equities. The Plan holds investments in liquid alternatives through pooled funds.

Pooled Funds

Pooled-fund investment vehicles provide exposure to a diverse range of asset classes such as money market, fixed income, large cap equities, real estate, and liquid alternative strategies without directly holding underlying securities. The Plan holds investments in both passive and actively managed pooled funds.

The Plan's pooled funds are comprised of:

Pooled Fund	Units Held (in thousands)		% of Total Units Outstanding		Market Value (in thousands)	
	2016	2015	2016	2015	2016	2015
Canadian. Equity						
TD Emerald Canadian Market Capped Pooled Fund Trust	244,201	187,327	37.27%	37.23%	$ 327,815	$ 277,075
U.S. Equity						
TD Emerald Pooled U.S. Fund	8,399	7,112	8.15%	7.17%	243,070	226,283
Global Equity						
Trent River Offshore Class R1	1	1	25.58%	2.92%	4,715	6,936
Fixed Income Fund						
TD Emerald Canadian Bond Pooled Fund Trust	75,787	57,112	17.38%	13.61%	825,502	644,716
PIMCO Canada Core Plus Bond Fund	2,893	2,319	13.35%	10.58%	305,518	251,625
PIMCO Canada Unconstrained Bond Fund	29,934	23,283	100.00%	100.00%	285,272	234,231
AllianceBernstein Core Bond Fund	22,337	16,738	72.02%	66.92%	603,550	470,509
Liquid Alternative Investments						
BlueCrest	116	520	0.47%	7.17%	31,932	139,061
Brevan Howard Multi-Strategy Fund Limited	1,118	928	8.41%	4.51%	168,150	140,495
GMO Systematic Global Macro Fund	7,424	5,750	100.00%	100.00%	152,348	126,797
Winton Futures Fund Limited	259	115	2.82%	1.32%	172,549	155,969
Other						
TD Emerald Canadian Short-Term Investment Fund	44,961	36,503	26.36%	18.95%	441,967	360,620
Greystone Real Estate Fund	3,698	3,158	7.23%	6.45%	428,109	344,737
					$3,990,497	$3,379,054

The TD Emerald Canadian Market Capped Pooled Fund Trust may invest in equity index futures to replicate the return of the S&P/TSX Composite Index components.

The TD Emerald Pooled U.S. Fund may invest in equity index futures to replicate the return of the S&P 500 Composite Index components.

The Trent River Offshore Fund Class R1 is in the process of divesting its investment portfolio and awaiting liquidation. As at March 31, 2016 the fund consists of $4.7 million (2015 - $6.9 million) invested in market neutral hedge funds. The hedge funds use a variety of investment strategies.

The TD Emerald Canadian Bond Pooled Fund Trust invests in investment grade bonds to approximate the overall characteristics of the FTSE TMX Canada Universe Bond Index. The Trust may not invest in any derivative investments.

PIMCO Canada Core Plus Bond Fund invests in a diversified portfolio of fixed income instruments while maintaining the characteristics of the FTSE TMX Canada Universe Bond Index.

PIMCO Canada Unconstrained Bond Fund invests in a diversified portfolio of fixed income instruments but is not bound by benchmark-specific guidelines or significant sector constraints.

AllianceBernstein Core Bond Fund invests in a diversified portfolio of fixed income instruments while maintaining the characteristics of the FTSE TMX Canada Universe Bond Index.

Effective December 1, 2015, BlueCrest began a process of divesting its investment portfolio, returning capital managed by BlueCrest to all investors as soon as practicable. As of March 31, 2016 $31.9 million in Plan assets were held by BlueCrest awaiting liquidation.

Brevan Howard Multi- Strategy Fund Limited is a multi-strategy liquid alternative fund that invests in a number of internal Brevan funds which employ a combination of global macro and relative value trading strategies in fixed income, FX, credit, commodities and equities.

GMO Systematic Global Macro Fund is a liquid alternative fund that invests primarily in a range of global equity, bond, currency and commodity markets using exchange-traded futures and forward foreign exchange contracts.

Winton Futures Fund Limited is a liquid alternative fund that invests primarily in liquid financial instruments and seeks low long-term correlations to other markets such as equities and fixed income.

The TD Emerald Canadian Short-Term Investment Fund may use derivatives such as options, futures, forward contracts and swaps provided the reasons for use are consistent with the Fund's objectives and strategies.

The Greystone Real Estate Fund invests in real estate consisting of Canadian commercial property.

Fair Value

The Plan has classified its investments using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments values using inputs that are not based on observable market data are classified as Level 3.

The following table classifies the Plan's financial instruments within a fair value hierarchy:

2016 (in thousands)

	Level 1	Level 2	Level 3	Total
Bonds And Debentures	$ -	$ 940,253	$ 20	$ 940,273
Pooled Funds	-	3,562,388	428,109	3,990,497
Short-term	-	55,880	-	55,880
Equities	3,298,359	-	-	3,298,359
Total	$ 3,298,359	$ 4,558,521	$ 428,129	$ 8,285,009

2016 Fair Value measurement using level 3 inputs

	Real Estate Fund	Asset - Backed	Total
Balance at April 1, 2015	$ 344,737	$ 21	$ 344,758
Purchases	-	-	-
Sales	-	(1)	(1)
Gains (Losses)			
Realized	-	-	-
Unrealized	83,372	-	83,372
Balance at March 31, 2016	$ 428,109	$ 20	$ 428,129

2015 (in thousands)	Level 1	Level 2	Level 3	Total
Bonds And Debentures	$ -	$ 759,174	$ 21	$ 759,195
Pooled Funds	-	3,034,317	344,737	3,379,054
Short-term	-	23,353	-	23,353
Equities	2,889,481	-	-	2,889,481
Total	$ 2,889,481	$ 3,816,844	$ 344,758	$ 7,051,083

2015 Fair Value measurement using level 3 inputs	Real Estate Fund	Asset - Backed	Total
Balance at April 1, 2014	$ 325,940	$ 6,574	$ 332,514
Purchases	-	-	-
Sales	-	(6,785)	(6,785)
Gains (Losses)			
Realized	-	232	232
Unrealized	18,797	-	18,797
Balance at March 31, 2015	$ 344,737	$ 21	$ 344,758

Note: There were no investments transferred between levels during the current year.

5. Derivatives

Derivative financial instruments are financial contracts whose values are derived from changes in underlying assets, interest or currency exchange rates.

At March 31, 2016 the Plan held the following derivatives:

Future / Forward Contracts

The Plan has entered into foreign exchange forward contracts to hedge some of its foreign currency exposure in foreign equity pooled funds. Foreign exchange forward contracts are obligations in which two counterparties agree to exchange one currency for another at a specified price for settlement on a predetermined date in the future.

The Plan has also entered in future contracts. Future contracts are obligations in which two counterparties agree to exchange one asset for another at a specified price for settlement on a predetermined date in the future. The Plan uses both an active management hedging strategy and a passive currency hedging strategy to manage the currency exposures inherent in the foreign equity exposure of the Plan, as well as provide protection of the Canadian value of the portfolio. Through its active management strategy, the Plan directly holds index futures and forward contracts within an emerging capital mandate. While the mandate primarily holds common stocks, this particular mandate also incorporates index futures and currency forwards as a part of their investment management strategy to enhance the risk/return characteristics of the portfolio. The market value of the portfolio is currently is $161.0 million (2015 - $124.3 million) and the market value of their derivatives is $3.0 million (2015 - $1.4 million).

The following summarizes the Plan's use of foreign currency forward exchange contracts within the passive currency hedging strategy:

FOREIGN EXCHANGE FORWARD CURRENCY CONTRACTS

(in thousands)

	2016		2015	
Currency	*Notional Value	Gain (Loss)	*Notional Value	Gain (Loss)
AUD	(16,622)	$ 26	(15,389)	$ 123
CHF	(62,218)	219	(54,970)	(1,395)
DKK	(6,268)	41	(3,197)	(25)
EUR	(135,839)	1,047	(117,781)	(1,173)
GBP	(107,733)	2,027	(100,078)	579
HKD	(17,459)	565	(23,429)	187
JPY	(69,123)	2,010	(64,691)	(172)
MXN	(332)	(4)	278	(2)
NOK	(1,353)	(1)	(8,012)	(85)
NZD	(834)	(10)	(517)	(6)
SEK	(4,296)	29	(3,390)	5
SGD	(7,969)	62	(11,723)	(74)
USD	(649,295)	21,428	(650,771)	5,948
		$27,439		$3,910

**Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange rate of cash flows, and is therefore not recorded on the financial statements.*

Based on the current rate of exchange as of March 31, 2016, the forward contracts are in a net gain position of $27.4 million (2015 - $3.9 million). The foreign currency forward exchange contracts are short-term in duration and all contracts as of March 31, 2016 have a maturity date of less than one year. This amount is included in short-term investments on the Statement of Financial Position.

Repurchase Agreements

A repurchase agreement is a contract entered into between two counterparties to sell securities together with an agreement for the seller to buy back the securities at a later date. At March 31, 2016, the Plan has entered into repurchase agreements with a notional value of $108.7 million (2015 - $106.2 million) and a fair value of -$0.99 million (2015 - $0.28 million). This amount is included in short-term investments on the Statement of Financial Position. The repurchase agreements have a term to maturity of less than one year. The amount held for collateral is $11.3 million (2015 - $11.4 million).

Repurchase agreements require a fraction of their market value to be available as collateral to back the market exposure provided. PEPP has invested $11.3 million (2015 - $11.4 million) in physical bonds which serve as a backing asset for the repurchase agreements with TD Asset Management. The $108.7 million (2015 - $106.2 million) investment in the TD Emerald Canadian Short-term Investment Fund is available as additional margin. No specific collateral is pledged for the repurchase agreement exposure as the investment is not leveraged. Collateral may be pledged to the Plan if the market value of the repurchase agreements changes significantly.

6. Transfers, Refunds and Benefits

	(in thousands)	
	2016	**2015**
Termination Refunds	$ 7,097	$ 6,021
Death And Lump Sum Benefits	22,753	18,413
Variable Pension Benefits	86,430	59,719
Marital Transfers	3,224	2,408
Transfers to Registered Retirement Savings Plans and to Private Companies Providing Annuities	227,867	172,265
Transfers Out	3,174	4,006
	$350,545	$262,832

7. Due from General Revenue Fund

The Plan's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Plan's bank accounts using the Government's 30-day borrowing rate and the Plan's average bank account balance. The Government's average 30-day borrowing rate in 2016 was 0.60 per cent (2015 - 0.92 per cent).

8. Administration Expenses

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees and investment management fees, which are paid directly.

(in thousands)

	2016		2015	
	Budget (unaudited)	Actual	Budget (unaudited)	Actual
Audit Fees	$133	$94	$144	$113
Administration Costs	7,283	6,958	7,713	6,614
Custodial Fees	643	1,140	1,257	797
Investment Manager Fees	35,887	37,033	25,569	37,694
Total	$43,946	$45,225	$34,683	$45,218

9. Financial Risk Management

The nature of the Plan's operations results in a Statement of Financial Position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed by having an investment policy, which is approved annually by the Pension Board. The investment policy provides guidelines to the Plan's investment managers for the asset mix of the portfolio regarding quality and quantity. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. Derivatives are allowed within the Plan to hedge against losses and substitute for direct investment. The Pension Board reviews and reports on regular compliance reports from its investment managers and custodian as to their compliance with the investment policy. The Pension Board also reviews and reports on regular compliance reports from its custodian as to the investment managers' compliance with the investment policy.

Credit Risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from two distinct sources: accounts receivable and certain investments.

The maximum credit risk to which it is exposed at March 31, 2016 is limited to the carrying value of the financial assets summarized as follows:

(in thousands)

	2016	2015
Cash	$ 126,876	$ 93,704
Accounts Receivable	28,183	15,923
Fixed Income Investments[1]	3,457,962	2,744,249
Due from The General Revenue Fund	11,870	7,922
Equities Under Security Lending	967,357	401,829

[1] *Includes short-term investments, bonds, bonds under security lending, bonds and short-term notes held through pooled funds, and derivatives*

Accounts receivable are primarily made up of employee and employer contributions receivable and accrued investment income. Employee and employer contributions receivable are generally received in less than 30 days. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually.

Credit risk within investments is primarily related to short-term investments, bonds and debentures, and the fixed income pooled funds. It is managed at the mandate level as each portfolio must comply with various quality, issuer, and sector constraints appropriate and unique to the strategy.

Credit ratings for bonds and debentures are as follows:

(In thousands)

	2016		2015	
Credit Rating	Fair Value	Makeup of Portfolio (%)	Fair Value	Makeup of Portfolio (%)
AAA	$ 287,140	30.54	$ 277,979	36.62
AA	336,958	35.84	255,935	33.71
A	223,116	23.73	160,435	21.13
BBB	93,039	9.89	64,825	8.54
Unrated	20	-	21	-
Total	$ 940,273	100.00	$ 759,195	100.00

Within bonds and debentures, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 4.54 per cent (2015 - 4.50 per cent) of the market value of the combined portfolio. No one holding of a province is over 3.37 per cent (2015 - 3.56 per cent) of the market value of the bond and debentures portfolio.

The Plan is also subject to credit risk through its use of forward currency contracts. The contracts are entered into between the Plan and approved counterparties. The currency manager must receive approval from the Board prior to engaging a new counterparty.

Market Risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest Rate Risk

The Plan is exposed to changes in interest rates in its investment in bonds, debentures and fixed income pooled funds. Duration is a measure used to estimate the extent market values of fixed income instruments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase in interest rates would decrease net assets available for benefits by $193.4 million at March 31, 2016 (2015 - $153.3 million); representing 6.30 per cent of the $3,071 million fair value of bonds, debentures and fixed income pooled funds. Conversely, a decrease in interest rates of 100 basis points would increase net assets available for benefits by $193.4 million at March 31, 2016 (2015 - $153.3 million); representing 6.30 per cent of the $3,071 million fair value of bonds, debentures and fixed income pooled funds.

Foreign Exchange

The Plan is subject to changes in the U.S./Canadian dollar exchange rate for U.S. denominated investments. Also, the Plan is exposed to changes in Non-North American exchange rates through its investment in other foreign currencies. At March 31, 2016, the Plan's exposure to U.S. equities was 13.82 per cent of total investments (2015 - 14.36 per cent) and its exposure to Non-North American equities was 15.44 per cent of total investments (2015 - 17.61 per cent).

At March 31, 2016, a 10 per cent change in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $118.0 million (2015 - $104.2 million) change in net assets available for benefits. A 10 per cent change in the Canadian dollar versus the Non-North American currencies would result in approximately a $131.7 million (2015 - $127.9 million) change in the net assets available for benefits.

The Plan's exposure to exchange rate risk resulting from the purchase of goods and services are not considered material to the operations of the Plan. The Plan has mitigated its exposure to foreign exchange through the use of derivatives as described in Note 5. As at March 31, 2016, the Plan's foreign exchange exposure net of derivatives is $1,119 million (2015 - $1,161 million). A 10 per cent change in the exchange rate would equate to a net change of $111.9 million (2015 - $116.0 million).

Equity Prices

The Plan is exposed to changes in equity prices in Canadian, U.S. and International markets. Equities, including equities invested in pooled funds, comprise 45.36 per cent (2015 - 47.02 per cent) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee represents greater than 10 per cent of the market value of the Plan.

The following table indicates the approximate change that could be anticipated to the net assets available for benefits based on changes in the Plan's benchmark indices March 31, 2016:

	(Change in thousands of $)	
	10% increase	10% decrease
S&P/TSX Composite Index	$137,338	$(137,338)
S&P 500 Index	117,952	(117,952)
MSCI EAFE Index	131,708	(131,708)

Securities Lending Program

At March 31, 2016, no Plan assets have been deposited or pledged as collateral as part of the securities lending strategy. As part of the Plan's securities lending strategy, collateral has been pledged to the Plan by various counterparties for securities out on loan to the counterparties. At March 31, 2016, the total amount of collateral pledged to the Plan amounted to $1,304.5 million (2015 - $526.0 million). The Plan obtains collateral of at least 105 per cent of the market value of the securities lent. Such loans must be secured by readily marketable government bonds, treasury bills and /or letters of credit, discount notes and banker's acceptances of Canadian chartered banks.

Liquidity Risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The Plan invests in repurchase agreements in order to increase Plan liquidity while maintaining fixed income exposure. Repurchase agreements provide $108.7 million (2015 - $106.2 million) in fixed income exposure with a margin of $11.3 million (2015 - $11 million) in physical bond investments which take three days to liquidate, but also $108.7 million (2015 - $106.2 million) invested in money market investments which can be liquidated for cash in a single day.

10. Related Party Transactions

All Government of Saskatchewan agencies such as ministries, corporations, boards and commissions are related since all are controlled by the Government. Also, the Plan is related to non-crown enterprises that the Government jointly owns or significantly influences. Costs charged by the Public Employees Benefits Agency Revolving Fund in administering the Plan are reflected in these financial statements.

The Plan holds $12.0 million (2015 - $10.4 million) Province of Saskatchewan Bonds and Debentures with a yield of 4.50 per cent (2015 - 4.20 per cent). Investment gains on these bonds including the current period change in market value of investments was $0.5 million (2015 - $0.5 million).

The Plan has an accounts payable balance as at March 31, 2016 of $0.8 million (2015 - $0.8 million) due to the Public Employees Benefits Agency Revolving Fund.

Other related party transactions are disclosed separately in these financial statements.

Account balances resulting from the above transactions are included in the statement of changes in net assets available for benefits and pension obligations and are settled at agreed upon exchange rates.

11. Capital Management

The Plan receives new capital from participant contributions. The Plan also benefits from income and market value increases on its invested capital. The Plan's capital is invested in a number of asset classes including equities, bonds and debentures, pooled funds, and short-term investments. The Pension Board has delegated the operational investment decisions to a number of different investment management firms through a number of different investment mandates as defined in the Plan's Statement of Investment Policy and Procedures.

12. Fair Value of Financial Assets and Liabilities

For the following financial assets and liabilities the carrying amount approximates fair value due to their immediate or short-term maturity:

a) Contributions receivable;
b) Accrued investment income;
c) Other receivables;
d) Due from General Revenue Fund;
e) Administrative expenses payable; and
f) Refunds, transfers and other payables.

The fair value of investments is disclosed in Note 4.

13. Capital Pension Plan Transfer

All Participating employers and Plan members of the Capital Pension Plan ("CPP") Defined Contribution Fund transitioned to PEPP with an effective date of June 25, 2015. Member assets of $1,343 million were transferred from CPP to PEPP at the effective date of June 25, 2015 and a subsequent transfer of $0.5 million was received in January 2016.

14. Value and Performance of Members' Accounts

In accordance with Canadian accounting standards for pension plans, various accruals are included in the Statement of Financial Position. However, only transactions that were processed and unitized during the fiscal year ending March 31, 2016 are reflected in the unitized account balances of members at year-end. The total value of members' unitized accounts at March 31, 2016 was $8,417 million (2015 - $7,147 million).

Investment income including changes in the market value of the investments (investment performance) and expenses is reflected in the market value of the net asset value per unit of participation and is determined daily. Investment and administration expenses relating to each Fund are accrued to or paid from the Fund prior to establishing its daily unit price. The Funds' unit price will increase or decrease according to the Funds' investment performance after expenses.

Fund transactions are processed using forward pricing. This means they are processed at the next unit price set after the Plan receives contributions or requests for transfers, refunds and benefits.

Fund transactions may be suspended temporarily at management's discretion where an accurate unit price for a Fund cannot be determined due to the unavailability of reliable market pricing or other asset valuations.

15. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

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2015-2016
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